

DRINKING WATER
STATE REVOLVING FUND
INTENDED USE PLAN
FOR THE
STATE OF IOWA
FISCAL YEAR 2007



Iowa Department of Natural Resources
Environmental Services Division
July 1, 2007

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I. INTRODUCTION

The State of Iowa presents its Intended Use Plan (IUP) for all funds available in the Drinking Water State Revolving Fund (DWSRF) during State Fiscal Year (FY) 2007. This plan is based on anticipated use of existing construction and equity funds available in the DWSRF program for assisting drinking water systems in financing infrastructure improvement projects and maintaining compliance with Safe Drinking Water Act (the Act) requirements. The FY 2004 capitalization grant of \$15,244,700, received during FY 2005, the FY 2005 grant of \$15,212,400, received during FY 2006, and the FY 2006 grant of \$10,252,000 (not yet applied for) are anticipated to provide financing for projects shown in this IUP and to fund the identified set-asides.

II. DWSRF FUNDS

This IUP is based upon the DWSRF allotment available to Iowa for federal fiscal year (FFY) 2006, the 2005 grant that was received during FY 2006, and on the FFY 2004 capitalization grant that was received during FY 2005. The State has applied for all capitalization grants available from appropriations made through FFY 2005, and has provided the required 20% match for these capitalization grants through bonds issued by the Iowa Finance Authority. The State intends to apply for the FFY 2006 capitalization grant prior to the end of FY2007.

Sources of funds for the DWSRF include the following:

- Capitalization grants, based on a federal formula, from the U.S. Environmental Protection Agency (EPA)
- Bonds issued to provide the state match, which is 20% of capitalization grants
- Bonds issued to leverage capitalization grants, if necessary
- Loan repayments and interest earned
- Loan fees

Chart 1 Part 5 shows a total loan need of \$2.91M for new FY 2007 projects. These projects will be funded through the Construction Fund and the Equity Fund.

III. FISCAL YEAR 2007 PROJECT PRIORITY LIST

The management of the DWSRF program, including development of a project priority list for financing assistance, was developed according to Part 567 of the Iowa Administrative Code (IAC), Chapter 44. This IUP indicates the intent to provide funds to projects ranked in priority order according to scoring criteria contained in Chapter 44 of the IAC. Charts 1 and 2 constitute the State's project priority list.

Projects will be funded as ranked on the project priority list. If projects identified on the list are unable to proceed towards construction within the time limits required by EPA and Chapter 44 of the IAC, these projects may be placed on the contingency list or may be removed from the project priority list. Adjustment to the list of fundable projects will be made, if necessary, to assure that at least 15% of the project funds are available to systems serving fewer than 10,000 persons as specified in Section 1452(a) (2) of the Act. Financing may be provided for up to 100% of project costs if

the costs are eligible for funding based on engineering, environmental, and financial review and project readiness to proceed as described above.

A. UNFUNDED PRIOR YEAR'S PROJECTS

All projects from prior years that have not entered into a binding commitment are included in this IUP. Projects identified in this IUP for assistance in FY 2002, 2003, 2004, 2005, 2006, and 2007 are shown in Chart 1 Parts 1 and 2.

B. SEGMENTS OF PREVIOUSLY FUNDED PROJECTS

State rules provide that subsequent segments of a project which has previously received funding priority or assistance be placed on the project priority list with the original project score. There are no applications for segmented projects in FY 2007.

C. NEW PROJECTS

The Department received three new applications for FY 2007 assistance during this update period. The newly received applications were considered eligible and were added to Chart 1, Part 5 for funding assistance.

Only projects on Chart 1 are considered fundable and projected to receive financing in FY 2007. The priority rankings for the FY 2007 projects are shown in Chart 1, Part 5.

D. SUPPLEMENTAL FINANCING

Supplemental financing for projects listed in previously approved IUPs are added to the IUP as they are requested unless the additional funds will be used for improvements that would significantly change the scope of the project. Changes requiring additional environmental review are considered significant. Supplemental loans will not be provided for changes that would lower the original score of the project to a point where the application is no longer competitive or is ineligible for funding. The cities of Mitchellville and Breda submitted requests for supplemental loans during FY 2006; the loans are shown on Chart 1, Part 4.

E. PLANNING AND DESIGN LOANS

Two applications for planning and design loans were received by IFA during the past quarter. The applicants have indicated their intent to use the DWSRF to permanently finance the construction of the project. These projects are listed on Chart 1, Part 5, but have not been assigned priority points or project numbers. The intent is to provide loan funds for planning and design to these systems at 0% interest for up to a three-year period. Following the three-year period, the system could incorporate the planning and design loan into permanent financing or pay off the loan.

F. SUMMARY OF CHART 1

Based on the assumptions previously stated for DWSRF funding, there are **five** projects identified for loan assistance of **\$2,910M** in FY 2007 in addition to **47** projects requesting **\$57,160M** for FY 2002 through FY 2006 that have not yet signed financing agreements. The total need is **\$60,070M** for these **52** projects. These projects appear on Chart 1 by fiscal year.

G. CHART 2: INTENDED USE PLAN CONTINGENCY PROJECTS

In the event that projects identified for funding in the IUP do not attain readiness for a loan commitment by projected dates, these delayed projects may be bypassed. Other projects may be added to Chart 1 or Chart 2 to be funded based on the State's implementation rules for the DWSRF program (567 IAC 44). Applications in excess of available DWSRF assistance or unable to enter binding commitments within one year may be placed on the Contingency List (Chart 2) according to priority. There are four projects on the contingency list because they have indicated they do not expect to enter into binding commitments during FY 2007. These projects may be placed on the project priority list in the FY 2008 IUP.

IV. LONG-TERM AND SHORT-TERM GOAL STATEMENTS

A. LONG-TERM GOALS

- Protect public health by ensuring that primary drinking water standards are met.
- Manage a perpetual program to provide financial assistance to communities and other eligible applicants for the purposes of constructing facilities to properly and adequately treat drinking water, to protect source water for drinking water systems, and to ensure that borrowers are able to provide safe drinking water at a reasonable cost for the foreseeable future.
- Ensure the long-term viability of existing and proposed water systems.
- Provide financial assistance by purchasing local obligations at below-market rates while assuring the perpetuity of the fund.
- Apply program requirements which are simple, understandable, applicable to all projects, and to the fullest extent possible are not burdensome to the recipients of assistance.
- Maintain mechanisms for funding the on-going administration of the program if federal funding is eliminated.

B. SHORT-TERM GOALS

- Provide financing to assist water systems in improving drinking water quality.

- Commit funds to fully finance as many borrowers as possible in accordance with the state scoring criteria, this IUP, staff resources, and available funding.
- Annually evaluate current demand to see if leveraging is necessary.
- Manage the DWSRF funds to maximize their use and impact through sound financial management.

V. INFORMATION ON THE DWSRF ACTIVITIES TO BE SUPPORTED

A. ALLOCATION OF FUNDS

Allocation of funds to eligible projects was based on a three-step process:

1. The amount of financial assistance needed for each application was estimated;
2. The sources and spending limits for all DWSRF funds were identified; and
3. The DWSRF funds were allocated among the projects, consistent with the financial assistance needed.

Information pertinent to each DWSRF project is contained in Chart 1.

B. SOURCES AND USES OF AVAILABLE DWSRF FUNDS

Appendix A to this IUP illustrates the potential sources and uses of funds in the DWSRF for FY 2007. The project needs total in Chart 1 reflects all unfunded needs. As of this date, all pending requests and program administration needs can be met in FY 2007.

A decision to leverage can be made at the time of each bond sale and is based on current loan demand, anticipated loan needs and the benefit to the SRF fund.

C. DWSRF POLICIES

1. Loan Interest Rate

Interest rates are established by taking into account factors including, but not limited to, the following:

- Interest rate cost of funds to the SRF;
- Availability of other SRF funds;
- Prevailing market interest rates of comparable non-SRF loans; and
- Long-term SRF viability.

Using those criteria, IFA has determined that the interest rate for DWSRF construction loans will be 3%. Interest rates for DWSRF planning and design loans will be 0% for up to three years.

2. Maximum Financing

There is no maximum financing amount.

3. Project Readiness

Applicants cannot be offered assistance until they meet program requirements. Based on the environmental reviews that have been conducted on funded projects to date, it is not anticipated that any of these projects will need to undergo the development of an Environmental Impact Statement (EIS).

4. Funding Limitations

Pending projects identified in this IUP exceed the funds **currently available** in the DWSRF program. **As a result, if all the recipients listed in Chart 1, Parts 1, 2, 3, 4, and 5 were to enter into binding commitments and require full disbursement of funds during FY 2007, IFA would be expected to provide additional funds through the issuance of bonds and IDNR would need to apply for the 2007 capitalization grant and provide the required match to make up the difference.** A transfer of CWSRF funds is possible, but the amount eligible for transfer would not be enough to make up the difference between the funds that are currently available and the amount needed to meet demand if all loans on Chart 1 were made prior to the end of FY 2007.

The IFA will only leverage if it is deemed necessary by consultations with EPA and the Department. If necessary, lowest priority projects on Chart 1 could be transferred to the contingency list, Chart 2.

D. INTENDED USE OF SET-ASIDES

1. DWSRF Program Administration Set-Aside

Iowa intends to take this set-aside to pay the costs of administering the State Revolving Fund loan program in FY 07. This set-aside was taken in each of the fiscal years between 1999 and 2003, but was not taken in 2004 and 2005. **It is anticipated that some reserved capacity from past years will also be taken in FY 07.** Chart 1, Part 6 shows set-aside amounts and the balance of unspent funds for each year. Uses of these funds may include portfolio management, debt issuance, financial, management and legal consulting fees, an assessment of the project priority needs and ranking, costs for conducting public hearings and the proposed project list, project technical and environmental review, work on current and future needs surveys, project initiation conference costs, IFA review of credit worthiness and Department-related support services, and technical assistance.

Typically, the annual budgets for program administration have been less than the 4% allowed by the DWSRF for administrative costs. **Increases in program costs and reductions in federal capitalization grants, however, will require the use of the reserve capacity from prior years.**

Administrative funds will be used this year to fund the cost of IDNR and IFA staff working in the DWSRF program, along with associated equipment and expenses. Funds are also set aside to conduct an audit of the program if required, and to provide financial review for private borrowers of DWSRF funds.

Workplans for FY 07 show a demand for approximately \$1,006,300.

Unused commitments are reserved for use in future years as necessary.

2. Small System Technical Assistance Set-Aside

Iowa intends to use DWSRF funds equivalent to 2% of the federal capitalization grant funds to provide technical assistance to public water supplies serving populations of less than 10,000. The Department may contract with technical assistance providers possessing expertise in dealing with small systems, and contracts may utilize Department personnel and supplementary resources.

Chart 1, Part 7 shows FY 2001-2005 small systems technical set-aside amounts and the balance of unspent funds for each year. The annual budgets for technical assistance to small systems have been less than the 2% allowed for this program because state budget constraints for several years forced the Department to retain these funds in the event that they had to be used to fund the technical assistance activities of Department staff.

Funds from this set-aside will be used this year to provide technical assistance through the issuance of operation permits and monitoring reminders for public water systems serving populations of less than 10,000. Funds will also be used for equipment and expenses related to administering technical assistance contracts. Contracts have been signed for projects to provide on-site technical assistance to systems in need of capacity development, a value engineering project related to DWSRF projects, and workshops to provide assistance to small public water systems in developing their Consumer Confidence Reports. The Department may issue another request for proposals for technical assistance during FY 2007, and funds have been set aside for this purpose as well.

Workplans for FY 07 show a demand for approximately \$460,000.

Unused commitments are reserved for use in future years as necessary.

3. State Program Support Set-Aside

This set-aside was taken during FY 2001, but was not fully utilized because the requirement for state matching funds could not be met. With newly implemented construction permitting fees in place as a source of state matching funds, it was anticipated that IDNR would be able to better utilize this set-aside, but spending has been slower than anticipated. The IDNR set aside \$175,000 in FY 2005 to investigate the source(s) of high bacterial

counts along the Des Moines and Raccoon Rivers that act as source water for Des Moines Water Works. Information gained during the study will be used to identify source water protection strategies available to Des Moines Water Works as allowed by 1452(g)(2)(B). This project has not proceeded as quickly as anticipated, **but is now underway.**

The department is in the process of contracting to provide financial support for the development of source water protection plans for four of the largest utilities (Cedar Rapids Water Department, Des Moines Water Works, Iowa City Water Department, and Rathbun Regional Water Association). This project is crucial in assisting the department in reaching state and federal source water protection goals and will require \$328,000 from the department. This amount will be matched one to one by the participating water systems, the Iowa Association of Water Agencies, and the U.S. Geological Survey.

The department is contracting with five counties to complete sanitary surveys, annual visits, and technical assistance for transient non-community public water supplies in 29 counties. This will require about \$76,500 from the department.

The department is also contracting for information technology services and assistance with upgrades to the safe drinking water act database and technical support for the electronic sanitary survey project.

Approximately **\$1,765,000** will be needed to fund state program activities during FY 07. **Fifty percent of this amount (\$882,500) will be funded from the capitalization grant and the remaining 50% will be funded from State sources.**

Since the FY 04 and 05 capitalization grants have not yet been completely matched or drawn, the department does not intend to take additional funds during FY 07. The set-asides and balance of unspent funds are shown in Chart 1, Part 8.

Funds from this set-aside will be used this year to fund staff assisting with the administration of the Public Water Supply Supervision program, along with related equipment and expenses. Funds will also be used to provide technical assistance for well siting and hydrogeological services through the Iowa Geologic Survey.

Unused commitments are reserved for use in future years as necessary.

4. Other Authorized Activities Set-Aside

Funding for ongoing assessments of sources constructed after 1997 will continue from this set-aside, as will funding of equipment and expenses related to the ongoing assessments. Additionally, staff will be funded by this set-aside to complete sanitary surveys as part of the existing systems capacity development strategy as allowed by Sec. 1452(k)(1)(B) of the amended Safe Drinking Water Act. A source water coordinator position will also assist public water systems in implementing local protection plans as allowed by Sec. 1452(k)(1)(D). Two existing contracts for assisting

community public water supplies in the development of wellhead protection plans are funded by this set aside.

The department plans to use \$366,600 to develop an interactive internet site for use by public water supplies, consultants, and the public pursuing local source water protection information, as allowed by Sec 1452(k)(1)(D) of the amended Safe Drinking Water Act. This project has been planned since 2003, but has not progressed as quickly as anticipated.

Draft workplans for FY 07 show a demand for funds from this set aside in the amount of approximately \$1,551,000, but it is expected that additional demand for source water protection loans may be forthcoming. Since the ability to fund this set-aside cannot be reserved from year to year, the department has taken the full 15% authorized by the last two capitalization grants. Five percent of the capitalization grants have been reserved for source water protection loans that have not materialized. If the funds are not allocated within three years, EPA may require them to revert to the Construction Fund.

Typically, the annual budgets for activities authorized in Sec. 1452(k)(2) have been less than the 10% allowed by EPA. During FY 06 and 07, however, a shift of program costs to this set-aside, increased resource needs and reductions in the annual federal capitalization grant have necessitated that the entire 10% be allocated. The balance of set asides is shown in Chart 1, Part 9. No more than ten percent of any capitalization grant will be spent on any of the activities listed in Sec. 1452(k)(2), as restricted by that section of the amended Safe Drinking Water Act.

E. PLAN FOR EFFICIENT AND TIMELY USE OF SRF FUNDS

As noted in V.C.4. above, the Department may need to leverage in FY 2007 because project needs exceed the funds available from the capitalization grants, state match funds, allowable transfers, and funds remaining. Applicants listed on Chart 1 have indicated their intent to utilize the DWSRF within FY 2007 and demand for these projects exceed the funds currently available. Applicants who have indicated their intent to utilize the DWSRF after FY 2007 are listed on the contingency list to differentiate their project timelines and expected expenditure of funds.

The Department and IFA are committed to expending funds as quickly as possible within the constraints of project schedules.

F. TRANSFERS

The Department and IFA transferred an amount equivalent to 33% of the 2004 and 2005 DWSRF capitalization grants (\$10.05M) from the CWSRF to the DWSRF during FY2006. These funds will be used for infrastructure loans. The Department and IFA also reserve the right to transfer 33% of the 2006 and 2007 DWSRF capitalization grants between the CWSRF and the DWSRF after capitalization grants have been awarded.

A transfer may be considered when the amount of available CWSRF funding exceeds the planned usage. Since the demand for DWSRF loans has exceeded the amount of the capitalization grants and state match, a transfer minimizes leveraging of the DWSRF and expends CWSRF funds in a timelier manner.

VI. ASSURANCES AND SPECIFIC PROPOSALS

Iowa will provide the necessary assurances and certifications according to the Operating Agreement between the State of Iowa and the U.S. EPA. Iowa's Operating Agreement includes the requirements of the Safe Drinking Water Act, outlined below:

- **Environmental Reviews**
The State of Iowa will conduct environmental reviews as specified in the Project Review procedures attached to the Operating Agreement and program rules as outlined in Chapter 44 of Part 567 of the Iowa Administrative Code.
- **Binding Commitments**
The State of Iowa will enter into binding commitments for 120% of each quarterly payment for infrastructure projects within one year of receipt of that payment.
- **Expeditious and Timely Expenditures**
The State of Iowa will expend all funds in the DWSRF in a timely and expeditious manner. The State of Iowa is committed to manage DWSRF projects and process disbursement requests expeditiously.

All projects and activities supported by federal grants are required to comply with certain federal laws and executive orders dealing with environmental and socio-economic criteria, commonly called "cross-cutters." The Department is required to assure that projects funded in an amount equal to the capitalization grant meet these cross-cutters. Iowa will meet the cross-cutter requirements using state technical review regulations and procedures outlined in Chapter 44 of the Iowa Administrative Code, Part 567.

VII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The following approach was used to develop Iowa's proposed distribution of DWSRF funds: (1) analysis of the priority of communities applying and financial assistance needed; (2) identification of the sources and spending limits of available funds; (3) allocation of funds among projects; (4) development of a payment schedule which will provide for making timely binding commitments to the projects selected for

DWSRF assistance; and (5) development of a disbursement schedule to pay the project costs as incurred.

A. PRIORITY OF COMMUNITIES AND FINANCIAL ASSISTANCE NEEDED

Iowa law provides only for loan assistance. The state's DWSRF rules identify the priority rating system used to establish priorities for financial assistance. Charts 1 and 2 become the state's Project Priority List.

Projects are considered eligible for financial assistance for all planning and project costs providing the project is on the project list of an approved Intended Use Plan.

B. ALLOCATION OF FUNDS AMONG PROJECTS

All projects listed in Charts 1 and 2 are eligible for assistance and may be funded from the DWSRF subject to available funds.

All projects scheduled for funding with Iowa's DWSRF will be reviewed for consistency with the Safe Drinking Water Act, as amended. Should a project fail to meet this review criterion, it may be bypassed or deleted from the funding list. Chart 2 provides for contingency projects, which may be considered for assistance as bypass projects according to state rules without formal amendment of this IUP. Projects may be added to Chart 2 in priority order as applications are received.

VIII. METHOD OF AMENDMENT OF THE INTENDED USE PLAN

The State will follow this IUP in administering DWSRF funds in FY 2007. The IUP must be subjected to public review and comment. Any revisions of the goals, policies and method of distribution of funds must be addressed by a revision of the IUP, including public participation. Minor adjustments in funding schedules, loan amounts, and use of bypass provisions including funding of projects on the contingency list are allowed by the procedures of this IUP and state rules for administration of the DWSRF without public notification. Adjustments to Chart 1 to utilize actual funds available to the DWSRF for FY 2007 will be considered minor and only affected applicants will be notified. Public notice of amendments will be made if municipalities are added to or removed from Charts 1 or 2.

IX. PUBLIC REVIEW AND COMMENT

The Department of Natural Resources will hold a public hearing on **May 11, 2006 at 10:00 a.m.** at the Wallace State Office Building in Des Moines, Iowa to allow input to Iowa's FY 2007 Intended Use Plan and Project Priority List. The Department published notice of the hearing in the Des Moines Register on **April 7, 2006** and notified stakeholders by e-mail. The public comment period will close on **May 24, 2006** following the hearings. Oral or written comments received will be addressed in a responsiveness summary.

Chart 1: FY 2007 Intended Use Plan Projects – Specific Information

Chart 1 Part 1: FY02-03 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Dunlap	FS-43-02-DWSRF-012	152	06/07	03/07	12/07	55	B, C, E
IA-American Clinton	FS-23-02-DWSRF-062	411	12/06	09/04	06/05	15	D

Part 1 Total 563

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project

Chart 1 Part 2: FY04 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Ottumwa	FS-90-04-DWSRF-017	4,857	09/06	09/05	06/07	60	B, C, D
Braddyville	FS-73-04-DWSRF-015	222	09/06	09/06	12/07	55	B, C, E
Elma	FS-45-04-DWSRF-005	325	09/06	04/06	12/06	55	B, C, E
Riverton	FS-36-04-DWSRF-014	113	09/06	06/06	3/07	55	B, C, E
Burds Green Acres	FS-31-04-DWSRF-024	84	09/06	09/06	06/07	45	B, E

Part 2 Total 5,601

Chart 1 Part 3: FY05 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Clarinda	FS-73-05-DWSRF-009	4,000	09/06	09/05	06/07	85	A, B, E
Woodbine	FS-43-05-DWSRF-029	340	09/06	03/07	12/07	115	A, B, C, E
Iowa City Regency MHP	FS-52-05-DWSRF-014	527	07/06	07/06	06/07	110	A, B, D, E
Welton	FS-23-05-DWSRF-033	830	07/06	09/06	09/07	80	A, B, E, G
Ellsworth	FS-40-05-DWSRF-011	1,350	09/06	07/06	06/07	75	A, B, C, E
Lockridge	FS-51-05-DWSRF-026	149	09/06	10/06	06/07	55	B, C, E
Joice	FS-98-05-DWSRF-006	641	09/06	09/06	06/08	45	B, E
Deloit	FS-24-05-DWSRF-031	227	09/06	09/06	06/07	55	B, C, E
Keystone	FS-06-05-DWSRF-034	940	03/07	03/07	12/07	55	B, C, E
Merrill	FS-75-05-DWSRF-017	300	09/06	07/06	07/07	45	B, E
Willow Stream Estate HOA	FS-82-05-DWSRF-010	217	09/06	09/06	10/07	45	B, E
Collins	FS-85-05-DWSRF-018	550	09/06	09/06	06/07	40	B, C, E
Delta	FS-54-05-DWSRF-025	342	09/06	09/06	12/07	40	B, C, E
Crescent	FS-78-05-DWSRF-030	400	09/06	09/06	12/07	40	B, C, E
Lowden	FS-16-05-DWSRF-001	514	10/06	03/07	03/08	40	B, E
Martelle	FS-52-05-DWSRF-024	760	09/06	09/06	06/07	40	B, C, E
Hudson	FS-07-05-DWSRF-007	630	09/06	09/06	04/07	30	B, E
Missouri Valley	FS-43-05-DWSRF-027	3,536	06/07	03/07	03/08	20	C, E

Part 3 Total 16,253

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project, G = Planning and Design Loan

Chart 1 Part 4: FY06 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Bayard	FS-39-06-DWSRF-005	816	05/06	05/06	11/07	105	A, B, C, E
Sioux City	FS-97-06-DWSRF-007	6,000	04/06	05/06	11/07	75	A, B
Cambridge	FS-85-06-DWSRF-010	982	09/06	09/06	09/07	55	B, C, E
Chariton	FS-59-06-DWSRF-001	800	09/06	03/06	03/07	55	B, C, E
Delaware	FS-28-06-DWSRF-016	127	06/07	03/07	03/08	55	B, C, E
DeSoto	FS-25-06-DWSRF-017	788	06/07	03/07	03/08	55	B, C, E
Emerson	FS-65-06-DWSRF-014	571	06/07	03/07	03/08	55	B, C, E
Keosauqua	FS-89-06-DWSRF-008	350	12/06	09/06	03/07	55	B, C, E
Lenox Municipal Utilities	FS-87-06-DWSRF-011	400	03/07	03/07	12/07	55	B, C, E
Marengo	FS-48-06-DWSRF-012	2,560	03/07	03/07	03/08	55	B, C, E
Mitchellville	FS-77-04-DWSRF-002	1,050	07/06	10/05	06/07	55	F
Stacyville	FS-66-06-DWSRF-009	731	12/06	09/06	09/07	55	B, C, E
Breda	FS-14-02-DWSRF-048	100	10/06	11/04	11/06	50	F
Burlington	FS-29-06-DWSRF-006	3,200	05/06	03/06	09/07	45	B, C, G
Spirit Lake	FS-30-06-DWSRF-020	10,402	12/06	03/07	06/08	45	B, E
LeGrand	FS-64-06-DWSRF-013	198	03/07	03/07	03/08	40	B, C, E
Donahue	FS-82-06-DWSRF-004	800	10/06	04/07	04/07	30	B, E
Spirit Lake	FS-30-06-DWSRF-003	2,397	09/06	09/06	06/07	10	E
Park View Sanitary District	FS-82-06-DWSRF-018	1,650	07/06	NA	NA	10	E
Humboldt		317				NA	G
Wyoming		100				NA	G
West Burlington		404				NA	G

Part 4 Total 34,743

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project, G = Planning and Design Loan

Chart 1 Part 5: FY07 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Shellsburg	FS-06-07-DWSRF-003	350	08/06	08/06	08/07	55	B, C, E
Glidden	FS-14-07-DWSRF-001	240	03/07	03/07	03/08	45	B, E
Centerville	FS-04-07-DWSRF-002	780	09/06	09/06	12/06	35	B, C, E
Winterset		196				NA	G
Fort Madison		1,344				NA	G

Part 5 Total 2,910

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project, G = Planning and Design Loan

Chart 1 Part 6: Program Administration Set-Aside

	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-ADM (00)	490		0
PGM-ADM (01)	491		463
PGM-ADM (02)	591		591
PGM-ADM (03)	587		587
PGM-ADM (04) from reserved capacity	390		390
PGM-ADM (06)	410		410

Part 6 Total 2,959 2,441

Chart 1 Part 7: Small Systems Technical Assistance Set-Aside

	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-SSTA (03)	294		158
PGM-SSTA (04)	305		305
PGM-SSTA (05)	304		304
PGM-SSTA (06)	205		205

Part 7 Total 1,108 972

Chart 1 Part 8: State Program Set-Aside

Project Name Community Served	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-PWSS (04)	1,442		1,023
PGM-PWSS (05)	1,520		1,520

Part 8 Total 2,962 2,543

Chart 1 Part 9: Other Authorized Activities Set-Aside

Project Name Community Served	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-OAU (04)	2,286		2,067
PGM-OAU (05)	2,281		2,281
PGM-OAU (06)	1,537		1,537

Part 9 Total 6,104 5,885

Chart 2: FY 2006 Intended Use Plan Contingency Projects – Specific Information

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Early	FS-81-04-DWSRF-006	362	07/07	06/07	06/08	40	B, C, E
Walnut	FS-78-05-DWSRF-023	996	07/07	11/07	03/08	40	B, C, E
Panora	FS-39-04-DWSRF-026	2,065	07/07	07/07	12/07	30	B, E
Grand Junction	FS-37-05-DWSRF-022	697	06/07	09/07	09/08	20	C, E

Part 1 Total 4,120

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project, G = Planning and Design Loan

APPENDIX A

DWSRF FUND SOURCES AND USES

Estimated Sources and Uses For DWSRF Funding in FY 2007

Funding Sources

Funds Available in Equity and Loan Accounts	\$26,130,571
Available Balance under Existing Capitalization Grants	\$2,586,606
Funds Available through Leveraging	\$45,486,256
Federal Fiscal Year (FFY) 2006 Capitalization Grant	\$10,252,000
State Match for FFY 2006 Capitalization Grant	\$2,050,400
Equity Fund Interest Earnings during State Fiscal Year (SFY) 2007	\$382,273
Net Repayments on Equity Fund Loans during SFY 2007	\$1,679,637
Funds Released from Pledge of Indentures to Equity Fund (available for loans)	\$4,356,566
<i>Total Funding Sources</i>	\$92,924,309

Funding Uses

Undisbursed Amounts Committed to Existing Loans	\$21,012,581
Project Requests (assumes funding in FY 2007 of entire amount requested)	\$60,070,000
Program Administration and Set Asides	\$11,841,728
<i>Total Funding Uses</i>	\$92,924,309

APPENDIX A-1

DESIGNATED FUND USES

MASTER TRUST AGREEMENT

EQUITY FUND

The Drinking Water Account of the Equity Fund shall receive:

1. Grant proceeds pursuant to a Capitalization Grant Agreement for the Drinking Water Program, and
2. Amounts transferred from the Drinking Water Account of the Deficiency Fund, and
3. Investment earnings from certain Drinking Water Accounts in the Master Trust, and
4. All loan principal and interest payments received for loans made from the Drinking Water Account of the Equity Fund, including prepayments but excluding repayments on loans transferred to a Series of Bonds.

The Drinking Water Account of the Equity Fund shall be used for the following actions:

1. To originate a loan agreement with a Drinking Water participant for project costs and subsequently disburse funds to the participant, or
2. To transfer for deposit in a Reserve Account established under a Series of Bonds issued for the Drinking Water Program, or
3. To transfer or disburse funds and enter into loan agreements for any other purposes, programs or undertakings that may be authorized by the Safe Drinking Water Act and rules enacted by DNR with respect to the Drinking Water Program.

DEFICIENCY FUND

The Drinking Water account of the Deficiency Fund shall receive:

1. All amounts released by a Bond Indenture Trustee with respect to a Series of Bonds issued for the Drinking Water Program.

The Drinking Water Account of the Deficiency Fund shall be used for the following actions on each interest payment due:

1. To transfer an amount certified by a Bond Indenture Trustee necessary to make the debt service payment due for a Series of Bonds issued for the Drinking Water Program, and next
2. To transfer an amount certified by a Bond Indenture Trustee necessary to make the debt service payment due for a Series of Bonds issued for the Clean Water program, and next
3. To set aside and hold an amount certified by a Bond Indenture Trustee necessary to replenish any deficiency in a Reserve Account for a Series of Bonds issued for the Drinking Water Program until notified that said Reserve Account has been replenished, and next
4. To set aside and hold an amount certified by a Bond indenture Trustee necessary to replenish any deficiency in a Reserve Account for a Series of Bonds issued for the Clean Water Program until notified that said Reserve Account has been replenished, and next

5. To transfer and replenish the Clean Water Account of the Deficiency Fund any amounts previously advanced for the benefit of a Series of Bonds issued for the Drinking Water Program, and next
6. To withdraw and deposit any remaining amounts in the Drinking Water Account of the Equity Fund.

STATE ADMINISTRATION FUND

The Drinking Water Account of the State Administration Fund shall receive payments of all loan initiation fees and servicing fees from Drinking Water participants.

The Drinking Water Account of the State Administration Fund shall be expended and disbursed for the payment of the administrative costs of the Drinking Water Program, or for other purposes permitted under the Safe Drinking Water Act.

SET-ASIDE FUND

The Drinking Water Account of the Set-Aside Funds shall receive amounts available under one or more of the Capitalization Grant Agreements and the state match portion from a Series of Bonds.

The Drinking Water Account of the Set-Aside Funds shall be expended and disbursed for the payment of the administrative costs of the Drinking Water Program, technical assistance for small systems, supervision of the public water system program, source water protection activities, or other purposes permitted under the Safe Drinking Water Act.

BOND INDENTURE

BOND FUND

The DWSRF Account of the Bond Fund shall be used solely for the payment of the principal and interest on a Series of Bonds issued under the Drinking Water Program.

REVENUE FUND

The DWSRF Revenue Account of the Revenue Fund shall be used to collect revenues paid to the Authority under the Loan and Disbursement Agreements for the Drinking Water Program, plus investment income from the investment of moneys within certain funds and accounts created under the Indenture. The Trustee may transfer amounts sufficient to pay the principal and interest on a Series of Bonds when due to the applicable accounts of the DWSRF Account of the Bond Fund. The Trustee may also make monthly transfers to the DWSRF Reserve Account of the Reserve Fund if the amount on deposit is less than the reserve requirement, or to the DWSRF Rebate Fund. Principal amounts received from Drinking Water participants, due to an optional redemption of all or a portion of the Loan Agreement, may be transferred to the Construction Fund for the purpose of making loans to other Drinking Water participants or transferred to the Master Trustee for deposit in the Drinking Water Account of the Deficiency Fund.

The Administration Subaccount of the DWSRF Account of the Revenue Fund initially receives all initiation fees and servicing fees for transfer to the Master Trustee.

CONSTRUCTION FUND

The proceeds from a Series of Bonds issued under the Drinking Water Program, less any accrued interest, cost of issuance moneys, and the state match portion of the administration set-aside, shall be deposited in the DWSRF Loan Account of the Construction Fund to be expended and disbursed for loans to finance projects undertaken by Drinking Water participants.

RESERVE FUND

The DWSRF Reserve Account of the Reserve Fund is a debt service to secure the leveraged portion of bonds using federal capitalization grant moneys. The Trustee may transfer moneys to the leveraged DWSRF subaccounts of the Bond Fund if funds on deposit are insufficient to pay the leveraged debt service when due. If the amount on deposit in the DWSRF Reserve Account is less than required, the Trustee may transfer moneys from the Revenue Fund or by the Master Trustee from the Deficiency Fund established under the Master Trust Agreement. If at any time the amount on deposit in the DWSRF Reserve Account is greater than required, any excess shall be released from the Reserve Fund and transferred to the Deficiency Fund.

COST OF ISSUANCE FUND

Moneys in the DWSRF Cost of Issuance Account of the Cost of Issuance Fund from proceeds of a Series of Bonds shall be expended and disbursed solely for payment of the costs of issuance of the bonds. Any excess moneys shall be transferred to the Bond Fund, or to another fund or account specified by the Authority.

REBATE FUND

The Trustee shall deposit into the DWSRF Rebate Fund the amounts specified by the Authority from the DWSRF Interest Subaccount of the DWSRF Revenue Account of the Revenue Fund. Amounts on deposit in the DWSRF Rebate Fund may be used solely to make payments to the United States of America and to pay or reimburse allowable costs related to the calculation of the amounts due. Any excess moneys shall be returned to the Interest Subaccount of the DWSRF Revenue Account.

APPENDIX B

PROCEDURES TO DETERMINE PROJECT PRIORITY LIST

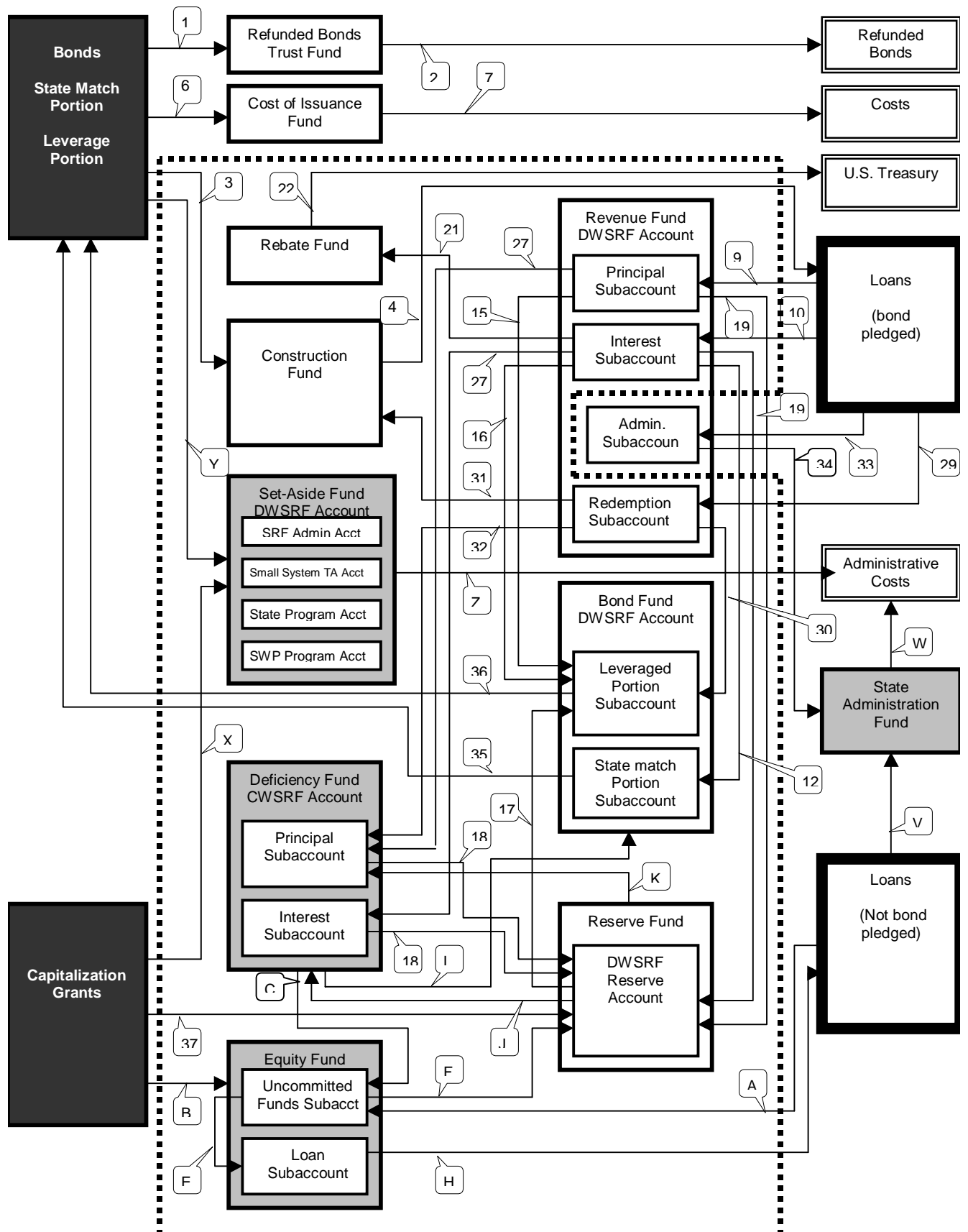
Project rankings were determined by the following procedures:

- Eligibility of applications were determined by needs criteria identified in IAC 567—44.7(8). In general, most water source, treatment and distribution system improvements are considered eligible.
- Project applications received during the FY 2007 application period were considered for funding in FY 2007; if not funded by the end of FY 2007, these projects will be moved to the FY 2008 project priority list.
- The priority ranking is a total score developed using the scoring criteria listed in IAC 567—44.7(8). Points may be gained in each of five categories: Water Quality and Human Health Risk-Related Criteria (60 point maximum), Infrastructure and Engineering-Related Improvement Criteria (35 point maximum), Affordability Criteria (10 point maximum), Special Category Improvements (15 point maximum), and IDNR Adjustment Factor for Population (10 points). The combined score provides a numerical measure to rank each project within its pool. A project with a larger number receives higher priority.
- The final project priority list for a fiscal year's project pool is compiled in the following manner: Subsequent segments of projects funded by DWSRF loan programs of previous years will retain their original score and be added to the list of the current year's applications.
- Loan-eligible projects submitted will be placed on the IUP each calendar quarter. If the project is anticipated to proceed during FY 2007, the project will be added to the project priority list and the list will be made available for public comment at the end of each calendar quarter in which one or more projects are added to the list.
- Projects on the project priority list will be added to the contingency project list if the total amount of needs exceeds the year's DWSRF staff resources capability and loan funding or if it is known that the project will be unable to be funded during FY 2007. Projects will be funded from the top down in the ranking order of the project priority list with consideration given to readiness to proceed. Projects are ranked similarly in the contingency project list. Projects in the contingency list can be moved to the funding list when funds are available or when the project is ready to proceed. Funds can be made available due to a number of reasons including project bypasses, loan application withdrawal of other projects, reduction in loan amount requests, or an increase in available funds.

APPENDIX C

IOWA DWSRF CASH FLOW DIAGRAM

Iowa DWSRF Flow of Funds Diagram for Restructured SRF



APPENDIX C-1

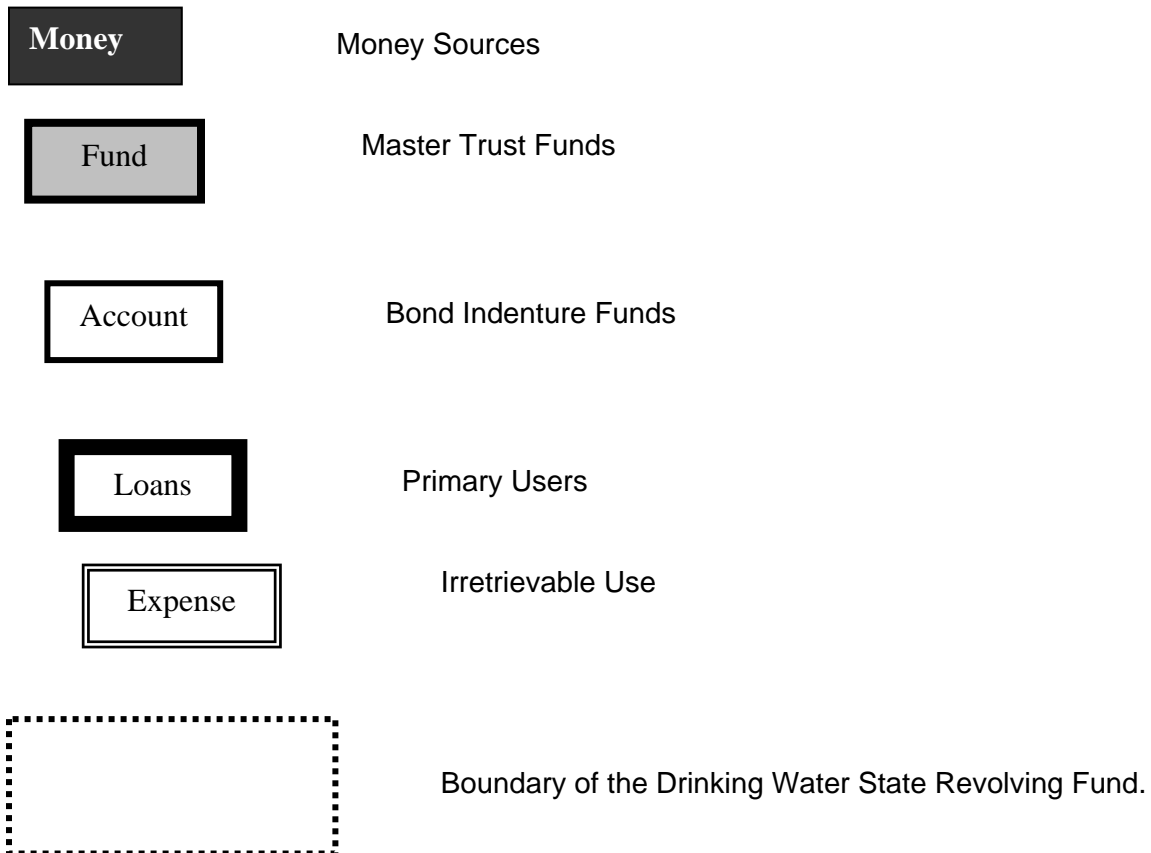
IOWA DWSRF CASH FLOW NARRATIVE

The Drinking Water SRF Flow Chart is shown. Major fund flow paths are shown. Not all routes described in the Master Trust Agreement and the Bond Indenture show on this chart. The CWSRF flow chart appears the same with proper labeling. The two SRF programs are operated independently. The only point of contact in their flow charts occurs in relationships provided for in the Master Trust Agreement among the Deficiency Fund, Bond Fund and the Reserve Fund due to cross-collateralization. Because of the complexity of cross-collateralization, details cannot be easily portrayed graphically.

For a review of cross-collateralization provisions in Iowa SRF bond documents refer to the Master Trust Agreement Section 305. The Master Trust Agreement describes the details of cross-collateralization that meet EPA requirements specifically in paragraphs “d” and “e” of Section 305.

The following key will enable the chart to be understood more easily and cross-referenced with bond documents. The document references will vary for the CWSRF, however are in adjacent sections of the documents.

Chart figures:



Fund Flow Path Descriptions:

Flow Path Callout	Indenture Reference Section/Line	Master Trust Reference Section
1	5.3/1	
2	5.3/6	
3	5.4/2	
4	5.4/5	
6	5.5/1	
7	5.5/5	
9	5.6/11	
10	5.6/13	
12	5.7/5	
15	5.7/9	
16	5.7/10	
17	5.7/13	
18	5.8(b)/9	
19	5.8(b)/3	
21	5.9/3	
22	5.9/4	
27	5.6/last sentence	See also 304(b), line 4
29	5.6/19	
30	5.6/21	
31	5.6/23	
32	5.6/25	
33	5.6/29	
34	5.6/31	
35	5.7(a)/7	
36	5.7(b)/5	
37	5.8(e)/5	
A		302(b)(1)
B		302(b)(2)
C		302(b)(3)
F		303(b)(1)
H		303(b)(3)
J		304(b), line 6
K	See also 5.8(c)/10	304(b), line 8
L		305(b)(1)
V		306, line 3
W		306, line 6
X		307, line 4
Y		307, line 8
Z		307, line 10